

Medical Emergency Relief International Charitable Trust

Report and Accounts for the year ended 31 December 2008

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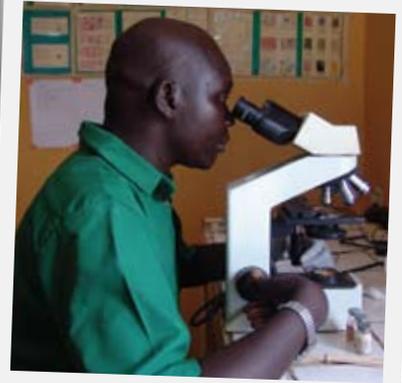


Teams treating patients in Shahre Bozorg village, Badakhshan.

In January, Merlin teams trekked for 10 hours to reach villages cut off by snow in Badakhshan province, Afghanistan. Merlin's Dr Khalil Nayel, who led the team, said: "We were soon overwhelmed by people seeking help; some were literally lying in the snow when we treated them. In all we treated more than 600 patients, diagnosing 270 cases of pneumonia and other acute respiratory infections, and treating three pregnant women suffering from severe bleeding."



Lord Jay in South Sudan with Merlin Chief Executive Carolyn Miller.



Malaria check in Nimule, South Sudan.

Message from the Chair

Merlin's Chair, Lord Jay, reflects on our work in 2008.

Much of my time as Merlin's Chair is spent in London: chairing Trustees' meetings, working with Chief Executive Carolyn Miller and meeting our supporters and sponsors. But to get a true understanding of Merlin's work, there is nothing more potent than seeing the organisation's programmes on the ground – meeting staff, experiencing the tough conditions in which they live and work, and seeing the difference they make to the lives of vulnerable people.

Recently, Carolyn and I went to South Sudan. We travelled south to Torit and then to Nimule on the Ugandan border, visiting clinics and hospitals that Merlin supports. I was left with some extremely powerful impressions: most powerful of all was the contribution that Merlin makes to building the skills of local health workers who in turn help so many people.

There is frustration and indeed at times despair: the young woman in Torit hospital dying from malaria and typhoid, both preventable diseases; the clinic outside Torit, able to make a real difference but still with no midwife in a region where mother and child mortality rates are among the highest in the world. Stories like these prove beyond any doubt the urgent need for more trained health workers.

But there was hope and encouragement too: the young children in Nimule hospital getting the vaccinations that will give them a chance in life; the imminent arrival of drugs and other supplies to cope with high levels of HIV/AIDS, particularly amongst refugees.

Equally inspiring was the commitment of Merlin staff, both international and national, who work day in and day out in very tough conditions with scant infrastructure in place. Every day, they face huge challenges – not to mention considerable security risks, as we saw for ourselves.

During 2008, Merlin worked in some increasingly challenging environments – such as Darfur, the Democratic Republic of Congo (DRC), Afghanistan and Pakistan. This is a major concern for Trustees and something we have to look at frequently. But at the same time I have nothing but admiration for the dedication of Merlin's staff, who are doing the vital job of supporting health workers in some of the world's most dangerous places.

I urge you to join Merlin's campaign, Hands Up for Health Workers, to call for investment in health staff in fragile states to become a global priority.

Lord Jay of Ewelme
Chair of Merlin

Our global impact

In 2008, Merlin scaled up our emergency response work and made important strides in rebuilding fragile health systems, as well as drawing attention to the desperate shortage of health workers in fragile states through our first public campaign.

Responding to natural disasters

Merlin responded to natural disasters and humanitarian crises in Myanmar, Bangladesh, Georgia, Haiti, Zimbabwe, Kenya, and the Democratic Republic of Congo (DRC) in 2008.

"...Merlin is playing a vital role by providing mobile clinics to people who would otherwise have no health care whatsoever. The mobile teams set up the clinics under a tree or in a local store, providing anti-malarial drugs, high-energy food supplements and ante- and postnatal care, among other treatments."

Dr Twedoros Gebre Michael, Country Health Director for Ethiopia

Myanmar

In Myanmar, Merlin played a leading role in the emergency response when Cyclone Nargis tore through the Irrawaddy Delta, killing at least 140,000 people

and leaving 2.4 million without homes (see case study of our response on page 16).

Bangladesh

Merlin also responded to Cyclone Sidr in Bangladesh. We supported our local partner on the ground to provide 554,345 people with immediate access to emergency medical assistance and essential primary health care through 18 medical teams and health education outreach workers. The World Health Organisation (WHO) invited Merlin to help assess the ongoing health needs in the nine worst-affected districts, on behalf of the Health Cluster and the Government of Bangladesh.

Responding to humanitarian crises

Georgia

Merlin also responded to a number of man-made humanitarian crises in 2008. We were one of the only NGOs on the ground after the conflict in South Ossetia, Georgia, in July 2008. Within days of violence erupting, Merlin's team was distributing blankets, water containers and cooking pots to people who had been forced to leave their homes, as well as providing vital health care to those who remained in the region.



Paediatrician Dr Abdel Kareem at a Merlin clinic in the Palestinian Territories. Merlin has brought health care to vulnerable groups like pregnant women, children and the elderly.

In addition, Merlin provided psycho-social care for traumatised survivors through our local partner. In November, Merlin and the Global Initiative for Psychiatry (GIP) started mental health training and support, enrolling 15 doctors and nurses who work in clinics in the affected areas, focusing on post-trauma response, counselling techniques and the impact of trauma on children. These 15 health workers served a catchment area covering 30,000 people.

Zimbabwe

Reacting to the growing humanitarian crisis in Zimbabwe, Merlin seconded a health specialist to the WHO in Harare, who helped to co-ordinate the response to the cholera epidemic. In addition, Merlin carried out an assessment of rural areas affected by cholera in December. As a result, we mobilised and trained community health workers who staffed a network of 55 oral rehydration points, treating 8,563 patients with cholera by May 2009.

Kenya

We were also able to respond to the post-election violence in Kenya in 2008, which forced 600,000 people to leave their homes. Merlin started distributing mosquito nets, essential medicines and supplies to those most affected in Western Nyanza and the Rift Valley. We continued to provide vital services in the aftermath of the violence, making sure people had access to essential health care and preventing any further outbreak of disease. 173,291 people benefited from this work.

Democratic Republic of Congo (DRC)

Towards the end of the year, escalating conflict in the DRC caused 250,000 people to flee their homes. Merlin scaled up ongoing emergency health programmes in the conflict areas and



Emergency birth in Darfur, April.

Photo: Tony Harrington



Photo: Paul Rees - Thomas

Women and children outside a clinic in Raiytu, Ethiopia. Merlin is supporting clinics in severely drought-affected areas of the country. In the first three months of 2008 alone, we treated over 25,000 patients.

we were able to reach thousands of displaced people in remote regions (see case study on page 11). Overall Merlin supported around 40 health facilities in the conflict area, covering a population of more than 500,000, including at least 100,000 displaced people.

Rebuilding fragile health systems

Liberia

Merlin also continued to work closely with Ministries of Health in countries emerging from crises to strengthen weak health services. For example, Liberia's Ministry of Health and Social Welfare invited us to launch a midwife training programme – modelled on our successful Community Midwife Education programme in Afghanistan – in the remote town of Zwedru in south-east Liberia.

A midwife training school opened there in December 2008, with its first intake of 45 students.

The two-year midwifery training course is meeting an urgent need. Twice as many women die in childbirth in Liberia today than 10 years ago. With only 297 certified midwives serving the entire population of 3.8 million people, it is estimated that Liberia needs at least another 1,000 midwives to begin to address this problem.

Palestinian Territories

In the Palestinian Territories, Merlin improved access to health care for 160,000 people living in Qalqilya and Salfit, districts that are most isolated by the separation barrier and checkpoints. Working closely with the Ministry of Health and a national NGO, we provided health workers, essential drugs and medical supplies and equipment, and also trained health workers, including community volunteers.

Sudan

Merlin also provided emergency primary health care in North Sudan, offering essential health services to 342,000 displaced people living in camps. In one clinic, Merlin's medical staff treated up to 600 patients a day.

Central African Republic (CAR)

In neighbouring CAR, we continued our work to rebuild the dilapidated health system. We rebuilt 11 health centres in one remote north-west district, repairing the damage caused by years of neglect and conflict, and helped to train all the health workers practising in the clinics.

Ethiopia

Meanwhile we secured funding to provide emergency primary health care in the Gode district of Ethiopia. As well as screening 5,875 children, and identifying and treating 101 severely malnourished children in mobile clinics, we reached out to more than 8,500 people in local communities with vital messages about diarrhoea, malaria, HIV/AIDS, tuberculosis and sanitation.

Sharing knowledge

In April 2008, Merlin completed a review of our crucial partnerships with Ministries of Health in fragile states. This research has allowed us to reflect on how these partnerships can be used most effectively to rebuild fragile health systems.

Merlin also continued our efforts to influence policy at the highest levels. Much of the research and analysis we carried out in 2008 was used to influence both donors and peer organisations through a number of channels, including responses to consultations on health and humanitarian issues at a national and international level. We also launched our first public campaign in 2008, Hands Up for Health Workers, which has already attracted significant attention to the desperate shortage of doctors, nurses and midwives in fragile states (see case study on page 7).

"We are so happy to have Merlin here. They rebuilt our health centre and provided employment for our men. We have drugs now. And they've trained us how to cure our people. We are proud of our clinic: it's one of the best and people come from very far away to be treated here."

Moses Adraman, the village chief at Ndomete, Central African Republic

Our global impact

This table gives the number of people helped by Merlin, directly and indirectly, during 2008.

	Country	Direct	Indirect
1	Afghanistan	904,467	1,241,698
2	Bangladesh	113,123	554,345
3	Central African Republic	107,910	180,000
4	Democratic Republic of Congo	990,684	1,804,460
5	Ethiopia	655,589	826,651
6	Georgia	22,426	0
7	Indonesia	13,806	0
8	Kenya	274,239	1,859,242
9	Liberia	316,104	779,216
10	Myanmar	431,669	431,669
11	Nepal	42,064	45,928
12	North Sudan	696,570	2,483,015
13	Palestinian Territories	160,000	160,000
14	Pakistan	292,136	5,708,000
15	Somalia	153,538	4,392,620
16	South Sudan	402,931	861,438
17	Sri Lanka	n/a	1,985,000
18	Cote D'Ivoire	n/a	n/a
	Total	5,577,256	23,313,282

Direct: Anyone who has received direct assistance from Merlin-supported services. For example, by accessing health care at clinics or hospitals, receiving a bed net, attending a training session.

Indirect: Anyone within the target population who has the option of accessing Merlin-supported services should they choose to do so.

Merlin endeavours to maintain an accurate record of beneficiary numbers. The actual service to each beneficiary can vary considerably, from the provision of drugs to a health education session, therefore comparisons are very difficult. Beneficiary numbers are not included where Merlin undertakes construction projects only, for example, in Cote D'Ivoire.



Show your support for health workers now
at www.HandsUpForHealthWorkers.org



Photo: Frédéric Courbet

The two traditional birth attendants at rural Dissikou health centre in CAR have 50 years collective experience but no formal qualifications. Olga (left) visits the maternity ward twice a week, giving these women a chance to anchor their knowledge in some much-needed technical skills.

In November 2008, Merlin launched our first ever public campaign to draw attention to the health worker crisis in fragile states. Advocating for effective, resourced national health workforce plans in fragile states, the campaign aims to help ensure:

- All health workers receive a regular “living wage”
- All health workers practicing in remote and isolated areas receive appropriate incentives to stay
- All health workers are able to practice in a safe and secure environment
- Funding is provided to train the additional health workers needed to deliver essential health care, and to refresh the skills of existing ones.

Dr Mubashar Sheikh, Chief Executive of the Global Health Workforce Alliance, which is one of the campaign’s key supporters, made the keynote address at the campaign launch in London. We also exhibited an extraordinary set of photographs taken by Panos photographer Frédéric Courbet, documenting the reality for health workers in the Central African Republic, a country where maternal mortality rates have doubled since 1993 and 20 per cent of children die before their fifth birthday.

Olga Yetikoua, a Nurse Supervisor, currently works for Merlin in the remote Nana Gribizi District. She said: “CAR has gone backwards. We don’t even have the minimum level of health care anymore. I’ve spent most of my professional life in Bangui, the capital, cushioned against reality. Coming here I realised just how neglected our health services, and health workers are.”

Merlin’s Chief Executive Carolyn Miller said:

“With over 15 years experience of providing health care to vulnerable people living in the most difficult, forgotten corners of the world, we know that investing in health workers must be the priority. Without skilled and motivated health workers, no community, let alone country, can achieve economic progress and social development.

Merlin’s campaign launch has drawn public attention to the health worker crisis in fragile states, securing coverage on BBC Online and in publications including the British Medical Journal, the Lancet, the Nursing Times, the Nursing Standard and the London Metro.



Organisational development

Merlin's Three Year Plan set out nine core objectives through which the scale and impact of our work should be increased. During 2008, we continued to make good progress on all of these objectives.

1 Set a strong international strategy to increase global impact

In 2008, Merlin continued to increase our impact and influence at a global level. Through effective representation and networking, and by engaging in strong strategic partnerships and building the capacity of key partners, we significantly enhanced our contribution to policy and practice in the international health sector.

Our collaboration with the World Health Organisation (WHO) intensified during 2008. This growing partnership was formally recognised when we signed a Letter of Understanding in June. Merlin's increased engagement with WHO was largely thanks to our strong commitment to the Global Health Cluster and its working groups. The so-called "Cluster Approach" was created to strengthen key partnerships to tackle humanitarian crises more effectively, and Merlin has played an active role in this collaborative approach. For example, we became the first health NGO to take a joint leading role in Health Clusters responding to emergencies in Myanmar, Somalia and the Democratic Republic of Congo (DRC). Our activities in Myanmar (see case study on page 16) were recently cited as "best practice" in an inter-agency review. Learning from these activities is being documented and shared in order to strengthen the role of NGOs in emergencies.

Merlin continued to work closely with Ministries of Health in fragile states to strengthen existing health services. In April 2008, we completed a review of these crucial partnerships. Key findings were presented at a series of international meetings throughout the year, including the

Organisation for Economic Co-operation and Development (OECD) in Paris. The research has also informed our own work, allowing us to reflect on how our partnerships with Ministries of Health can be used most effectively to rebuild fragile health systems.

2 Establish individual country strategies and improve programme quality

In 2008, Merlin developed its organisational strategy for 2009-2011. Country teams have enhanced their individual country strategies to reflect this.

We have improved the quality of our programming through the introduction of an evaluation policy, which reflects the learning from the Tsunami and Tajikistan evaluations conducted earlier in the year.

In October we became a member of the Humanitarian Accountability Partnership, which has created a systematic approach for accrediting NGOs against sector recognised standards and has developed internationally agreed principles for accountability to the communities NGOs serve.

3 Improve capacity to respond to humanitarian emergencies

In 2008, Merlin responded to emergencies in Bangladesh, Myanmar, Haiti, Georgia, Zimbabwe, Kenya and the DRC. Merlin is able to act swiftly and efficiently when emergencies occur thanks to our expanding Response Team, which includes experts in health and logistics.

Merlin also continued to build our roster of emergency personnel with specialised skills for deployment in emergencies, particularly those with trauma experiences such as surgeons, theatre nurses and anaesthetists.



Photo: Jacqueline Koch

Merlin has been restoring basic health care services in Sri Lanka, easing the vulnerability of expectant mothers and the elderly.



One year after Cyclone Yemyin devastated Jhal Magsi district in Pakistan, Merlin is continuing to provide health care to people in need.



We conducted training in Nepal to ensure communities can better prepare for, and respond to the risk of emergencies.

During the past year, Merlin finalised a set of emergency health response kits that will enable us to speed up the ordering process in the event of an emergency, making sure that standby stock is available within 72 hours. These kits include surgical and trauma equipment and supplies. In addition, we have developed response guides for disasters including earthquakes, floods and volcanoes.

We also worked closely with the Disasters Emergency Committee (DEC) and the 12 other leading UK aid agencies within the DEC to improve processes that will ensure the highest possible quality in emergency responses.

4 Improved collaboration with organisations and government agencies working in the humanitarian movement

As well as working in collaboration with the WHO, Merlin also developed partnerships with key humanitarian organisations during 2008. To broaden the scope of our response to Cyclone Nargis we partnered with MercyCorps and Oxfam. We also worked with Help Age and Care in DRC and with CHF International in Pakistan and Kenya. In all our projects in northern Kenya, we partnered with a number of other agencies to implement a nutrition and emergency preparedness programme, including UNICEF, Oxfam, World Vision and the World Food Programme (WFP).

In 2008, we continued dialogue with Oxfam, Voluntary Service Overseas, Save the Children and Mercy Malaysia at a strategic level to explore the prospects for future collaboration.

Merlin continued to be an active member of a number of key networks, including the DFID-supported Health and Fragile States Network, which aims to link expertise in health systems, public health, governance and political science. During 2008, we also joined several new networks, including the Global Health Workforce Alliance, the Centre for Research on the Epidemiology of Disasters (CRED) and the White Ribbon Alliance.

5 Strengthen Merlin's public profile in the UK and amongst other key audiences

Merlin raised its public profile significantly during 2008, with our response to Cyclone Nargis attracting more media coverage than any other emergency we have worked on.

During the year, we strengthened our relationship with a range of media outlets, including The Economist, Radio 4's Today programme and BBC Online and reached out to new publications, such as weekly consumer magazines. Our communications team organised a number of media visits to see our work on the ground, which have resulted in increased coverage and interest in Merlin. Visits included: Radio 4 to the Central African Republic and Channel 4's Dispatches and the Observer to the DRC.

In November, we launched our first ever public campaign – Hands Up for Health Workers – calling for more investment in health workers in fragile states (see case study on page 7). The campaign has secured considerable media coverage, reaching new audiences and raising the profile of Merlin's work.

In addition, traffic to Merlin's website grew exponentially in 2008, reaching its highest-ever hit rates and generating £122,000 in online donations.

6 Increase proportion of income from private funds, diversify the donor funding base and secure larger-scale and long-term funding

Merlin continued to increase voluntary income from individuals, companies, charitable trusts and foundations. The emergency appeal following the Myanmar cyclone in May raised a substantial amount of income and successfully regenerated interest from donors who had not engaged with the organisation since the Asian Tsunami of 2004.

Organisational development

Man Group plc Charitable Trust, the McCall MacBain Foundation and the Annenberg Foundation contributed significant grants during the year. The latter two, based in Switzerland and the US respectively, were first-time donors to Merlin.

The Danish Government, the Swedish International Development Cooperation Agency (SIDA) and the Canadian International Development Agency (CIDA) also became new donors in 2008.

During the year, the board of Merlin USA Inc, an unconnected legal entity to Merlin, strengthened its operations; gaining several very active corporate sponsors and a large prospect pool. Merlin provided modest seed money for its development and looks forward to a close relationship in 2009 and beyond.

7 Implement strong and effective management systems

In 2008, Merlin developed a stronger and more formal programme management system to improve how we manage our programmes in all of the countries where we work.

We launched our Leadership Management & Development Programme (LMDP) to develop and support current and potential leaders and managers across the organisation. The programme includes internal training events, access to an external coach, as well as opportunities for electronic and distance learning. Our target participants are senior managers and specialists in country programmes and head office, as well as those who are assessed as having the potential to move into more senior leadership roles. By the end of 2008, 64 per cent of the target group had attended at least one element of the programme.

8 Improve the recruitment and retention of quality staff

Merlin has continued our improved trend of attracting and retaining well-qualified and skilled humanitarian professionals in 2008. A number of training and development initiatives like the one above, along with the internship programme, have enabled us to focus on the development of skills across the spectrum of roles and has contributed to a significant improvement in staff turnover and retention.

A pay and benefits review for head office staff was implemented in early 2008 following a formal job evaluation of all Head Office roles. We will review field-based salaries and benefits in 2009, to ensure that they remain competitive, reward staff fairly and aid recruitment and retention.

Merlin's internship programme continues to go from strength to strength. More than two-thirds of interns completing the programme in 2006 and 2007 are currently working with Merlin or in the sector.

9 Improve the efficiency and effectiveness of administration

In 2008, Merlin significantly enhanced our system of controls and procedures in order to improve the efficiency of our organisation. In particular, we focused on improving our risk monitoring and risk management systems, as well as revising our finance and logistics policies and procedures. This included introducing a new financial system in our Head Office. We also carried out internal audits in Kenya, North and South Sudan and Bangladesh.



Merlin medical staff rushed four-year-old Judith to Murara health centre in Goma, suffering from a high fever. She was diagnosed with severe malaria and given immediate treatment.



"I ran when I saw people being killed," Safari Muhindo, who was referred to Goma clinic by Merlin staff, suffering back and stomach pains.

DR Congo: Emergency and long-term recovery

Responding to urgent health needs

In November 2008, an estimated 250,000 people were forced to flee North Kivu in the Democratic Republic of Congo (DRC) as a fresh round of fighting erupted in the war-torn region. In spite of the tense security situation, Merlin was able to scale up ongoing emergency health programmes to reach thousands of people in remote regions. We supported emergency health care for more than 500,000 people – delivering life-saving drugs and medical equipment to health centres that had been cut off from medical aid for several weeks.

When the Merlin team arrived in the town of Kanyabonga, they found hundreds of frightened people who had returned to the town from the forest where they had been hiding for days without access to food, shelter or clean water. The appalling conditions had left many desperately sick with malaria, diarrhoea and other life-threatening diseases.

One of the patients was a 15-month-old baby, Kahindo Lutsongo, who was suffering from severe vomiting and had had a series of convulsions before slipping into a coma. Without access to life-saving drugs, Kahindo's prognosis looked bleak, but the doctor was able to administer an infusion within minutes of Merlin supplying the drugs and his chances of recovery were vastly improved.

Merlin also responded to a cholera outbreak in the provincial capital of Goma, building a Cholera Treatment Unit that was staffed by 20 specially trained nurses. Between its inception on 20 November and the end of the year, 61 people had received treatment.

Helping long-term recovery

Merlin is also helping to rebuild DRC's fragile health systems in more stable regions of the country. For example, we doubled the size of our programme in the 'forgotten province' of Maniema in 2008. Many of the 138 health facilities which we now support had not seen any help for many decades. We witnessed a huge increase in patients, even though many facilities take several days to reach using a combination of dugout canoe, motorbike and walking.

Merlin also strengthened the maternal health component of our Maniema programme in 2008, building maternity wings at two hospitals. At Kindu Hospital, none of the 1,000 women who gave birth during 2008 died, thanks to an intensive training and supervision programme for maternal health staff on maternity risk management. This was a huge achievement, as most of the women were referred to the hospital because of complications.

Pete Sweetnam, Merlin's Director of Programmes, said: "The health centres in DRC lack basic facilities and medical supplies. The staff are often unpaid and so centres try and charge patients in order to cover basic costs. Of course, very few local people can afford to pay these charges and are left untreated, which can cause immense suffering and even loss of life. In these circumstances, Merlin has to act and offer support in order to save lives."

Financial review

Merlin receives most of its funds directly from institutional donors, including the British Government, the US Government, the European Union and the United Nations. The grants are typically for programmes in a country or region for periods between six months and two years. Merlin also receives funds, on a significantly smaller but increasing scale, from individual donors, private trusts and corporations. The vast majority of the organisation's expenditure is undertaken directly on its in-country project activities. The remainder is utilised to ensure that these projects are adequately supported, that the charity is governed appropriately and that adequate investment is made into the fundraising base.

In 2008, Merlin's total income saw a significant increase of 41.2% to £43.8m (2007: £31.0m). This is mainly due to a substantial emergency response to the Cyclone in Myanmar and a scaling up of programmes in the Democratic Republic of Congo.

Direct donations increased significantly both from individual givers and from trusts and corporate partners; again much of this increase was as a result of the Myanmar Cyclone appeal. Direct donations and also legacies have increased to £4.14m (2007: £2.75m); a rise of over 50%.

After three years of work to rebuild the health infrastructure and retrain medical staff, the major part of Merlin's response to the tsunami was completed in 2007. As funders for this work the overall DEC contribution has therefore reduced in 2008.

Merlin is particularly grateful for the Conflict, Humanitarian and Security Fund (CHF) support from the UK Department for International Development. This support increased from £500k in 2007 to £1m in 2008.

Charitable expenditure reflects the growth in income and has increased by 29.0% to £38.9m (2007: £30.2m).

Expenditure on charity governance and administration amounted to £0.151m, or less than 0.5% of total expenditure.

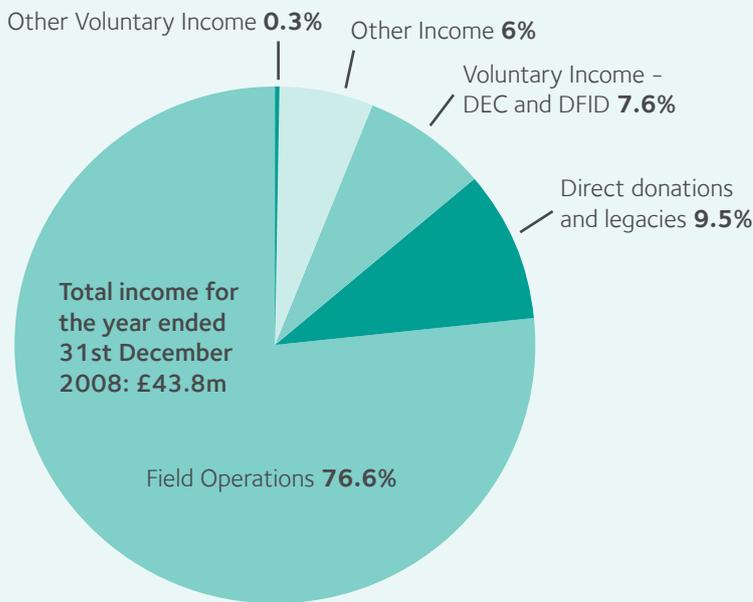
With the increase in direct donations and legacies income, the cost of generating funds increased at a slower rate to £1.65m (2007: £1.24m). As with previous years, the investment in fundraising is carefully balanced with the level of investment and expenditure in country programming.

1 Risk and Internal Control

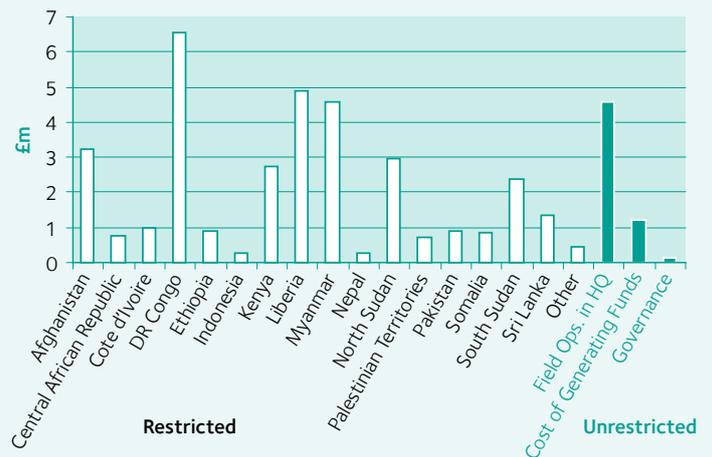
The Trustees constantly review and assess the risks that the charity faces and the potential impact they may have on the organisation.

Merlin continued to enhance its approach to organisational risk in 2008. The senior management team co-owns the organisational risk register, which operates as a working document. The register is formally reviewed each quarter and presented by the senior management team to the Finance, Risk and Audit Sub-Committee.

Merlin's Internal Auditor measures and controls the various risks Merlin faces. This role undertakes independent appraisals of the procedures and standards by which the charity's activities in Head Office and the field are managed.



INCOME



WHERE THIS INCOME WAS SPENT

2 Reserves

Merlin's total funds as at 31 December 2008 are £8.7m (2007: £5.6 m) of which £0.99m are classified as restricted funds.

Restricted Funds

The majority of Merlin's income comes from donors who require the organisation to use their funds on specific contracts and initiatives. Accordingly, these monies are categorised as restricted funds. Each award is administered separately to ensure accurate allocation and compliance with the donor's requirements.

Unrestricted Funds

The level of income from unrestricted sources that Merlin received in 2008, as with previous years, is less than restricted income. However, the General Funds as at 31 December 2008 have increased £2.87m to £7.73m. The increase is mainly due to an exchange gain (£2.48m) of which £1.79m was an unrealised gain resulting from the revaluation of Merlin's balance sheet as per Merlin's accounting policy.

There has been no change in the categorisation of the unrestricted and designated reserve funds in 2008, which are as follows:

1 Strategic Baseline Reserve: This unrestricted reserve enables Merlin to react to fundamental changes in its long-term financing position. It is intended to be at a level of between two and six months of head office expenditure in order to ensure that Merlin can meet such commitments should a sudden, unexpected and fundamental event occur. This reserve will only be utilised under clear and unambiguous instruction from the Trustees. The balance of the reserve at 31 December 2008 is £1.2m.

2 Emergency Response and Assessment Fund:

This reserve covers the funding of assessments and initial programming where donor funds have not yet been secured. The reserve, which is recyclable from future unrestricted funds, will be reviewed as the organisation's capacity to undertake emergency responses increases. The balance as at 31 December 2008 is £0.46m.

Trustees carried out a detailed review of the level of reserves in 2008, developing a risk-based model that assessed the level of risk and the working capital arrangements for each area of Merlin's activities. The main objective of this review was to establish a level of unrestricted reserves that would provide a sustainable platform allowing the organisation to plan more effectively for its strategic needs.

The outcome of the review was to establish that Merlin requires an unrestricted reserve level of between £4.62m and £8.9m during the course of the three-year strategy. The precise required level does fluctuate considerably depending on the risks and working capital requirements at the time, however, Trustees felt that an unrestricted reserve level of £6.4m was acceptable and that the reserves fund would be reviewed if it exceeded £7m. The unrestricted reserves at the end of 2008 are £7.73m. £1.79m of this is the unrealised exchange gains at the end of the year. It is considered that this level of reserve is acceptable especially with the increased risks of fluctuating exchange rates.

Corporate governance



We responded immediately to post-election violence in Kenya and continue to support those affected. By September, our mobile teams had treated 25,015 displaced people, vaccinated 2,023 children and provided health education to 13,185 people.

The Medical Emergency Relief International Charitable Trust constituted under a Trust Deed last amended 5th June 1993, has a sole corporate Trustee, Merlin Board Limited, a company limited by guarantee. The governors of Merlin are the Directors of Merlin Board Limited. They act as Trustees, are known as the 'Board of Trustees' and meet quarterly to agree Merlin's overall policy and direction in all areas of its work. All activities of Merlin are carried out through the charitable trust.

The Board delegates responsibility to a number of Sub-Committees. These each have specific terms of reference, and are chaired by a member of the Board of Trustees and are as follows:

- Finance, Risk and Audit Sub-Committee: this group oversees all aspects of the management of Merlin's finances, risk and internal audit function. This includes scrutinising the budget prior to board approval, monitoring the financial position, managing Merlin's internal and external audit arrangements, annual plans and audit outputs, overseeing Merlin's risk register and reviewing Merlin's Annual Report and Accounts.
- People and Programmes Sub-Committee: This group considers the technical and quality approach of the programmes as well as the ongoing management and strategy of the organisation's interventions. Furthermore, the group discusses and considers recruitment and retention issues for staff both in the head office and in the field.
- Funding Committee: This committee oversees all aspects of the organisation's funding strategy, which includes both programme income and the fundraising plan.

During 2008 the specific terms of reference for each Sub-Committee were reviewed and it was agreed that the scope of the People and Programmes and Finance, and Risk and Audit Sub-Committees should be broadened to incorporate the funding aspects and hence the Funding Sub-Committee was disbanded.

As part of good governance the Finance, Risk and Audit Committee has reviewed its terms of reference, performance and effectiveness during 2008. The main activities of the Committee are listed below.

- The Committee, alongside the Senior Management Team, has focused on revisiting Merlin's risk management processes with an aim to more closely correlate the way in which risk and progress against performance indicators are monitored and reported. In line with this the internal audit programme has been developed with an initial focus on audit visits to the field to address risks that are less directly visible to the Trustees and London office.
- The Committee has considered the budget and the three year funding model in light of the current economic climate. The Committee has approved a budget that reflects continued growth and development of Merlin's ambitious new three year strategy but as funding is a high-risk area as defined in the risk register, a series of performance indicators and trigger thresholds have been developed to provide the Committee with early warnings so that pre-identified mitigation action can be implemented.
- The Committee appointed new internal and external auditors in the year and developed mechanisms for effectively monitoring the implementation of audit recommendations.



In August, Merlin deployed its Response Team to Georgia to deliver health care to over 24,000 people caught up in conflict.



In Afghanistan, we carried out a vaccination campaign to reach remote villages.

The day-to-day management of Merlin is delegated to the Chief Executive and the Senior Management Team at the Head Office in London. Close links are maintained between each department in the Head Office in London and the relevant Sub-Committee.

Everybody at Merlin was saddened by the death of Bernie Trude on 27 January 2009. Bernie began working at Merlin in 2008 as Director of Business Development and was instrumental in the development of the new three-year strategy. As a member of the Senior Management Team he worked closely with the Trustees and the Finance, Risk and Audit Sub-Committee.

The appointments and inductions of new Trustees are overseen by the Board of Trustees with support from the Chief Executive. A needs analysis of the Board's skill base was undertaken in November 2008. All positions identified as a result of the review were advertised and potential applicants assessed by Trustees to ensure successful recruitment. Three new Trustees were appointed in June 2009.

The induction process consists of general information relating to the duties of a Trustee as well as a set of customised briefings with the relevant key staff, which will cover the particular areas on which the Trustee will be expected to focus. As part of their ongoing training and understanding of the organisation and the context of its operations, Trustees are expected to visit the field programmes.

The Board of Trustees gives its time and expertise voluntarily and receives no remuneration or any other emoluments from Merlin.

The Trustees are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of its financial activities for the year. In preparing those accounts, the Trustees have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether the policies are in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities 2005 and with other applicable Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepared accounts on the going concern basis.

The Trustees are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the charity and ensure that the accounts comply with the Charities Act 1993.

The Trustees are also responsible for safeguarding the assets of the charity and, accordingly, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Howarth Clarke and Whitehill were appointed as auditors in 2008 and have indicated their willingness to continue in office and it is proposed that they be re-appointed for the ensuing year.

Lord Michael Jay

On behalf of Merlin Board Limited on:
23 June 2009

Cyclone Nargis: Merlin's biggest emergency response since the Tsunami

In May, Merlin responded within 48 hours to the devastation caused by Cyclone Nargis in Myanmar, setting up clean water stations and clinics to provide emergency health care and drinking water for survivors in some of the worst affected areas. We went on to take a leading role in the relief and rehabilitation effort.

When the cyclone struck

In May 2008, the Irrawaddy Delta of Myanmar was devastated by Cyclone Nargis. Extreme wind, rain, hail and a 12 foot tidal surge killed at least 140,000 people and left another 2.4 million people in desperate need of food, water, shelter and medical aid.

When Cyclone Nargis struck, Merlin was already well-established in the region – with a field office based in Laputta Township. We were one of the first NGOs to respond to the disaster. In the wake of the storm, community health workers trained by Merlin were able to provide much-needed first aid to people injured in the cyclone. Within just 48 hours, Merlin teams were providing emergency health care and clean drinking water in camps established for homeless survivors.

Merlin's fleet of mobile clinics fanned out into the network of waterways that crisscross the Delta, reaching more than 350 communities and remote villages in the first six weeks. And to meet the overwhelming need for emergency medical aid, Merlin added a flagship to the operation, donated by a private tour company. The 180-foot river cruiser was transformed into a floating trauma clinic, equipped to treat 20,000 patients. It was also used to stabilise the critically ill prior to their transfer to hospital, and as a delivery ward when pregnant women were unable to reach hospital to deliver their babies.

After the storm

As well as responding to the immediate health crisis, Merlin, in partnership with Oxfam, was quick to respond to the region's urgent need for clean drinking water. After many of the drinking sources were destroyed or contaminated with salty water, staff members delivered clean drinking water and pumped out 148 contaminated community ponds. In addition, Merlin also installed 12 water treatment units, which desalinate water at strategic locations in the Laputta district.

In partnership with Mercy Corps, Merlin supported farmers, fishermen and small businesses by distributing fishing nets, tools and high-quality rice seed. Merlin also gave families seeds and plants to establish kitchen gardens.

But Merlin's work in Myanmar does not stop now that the emergency is over. With in-country expertise and disaster response experience, Merlin is helping to coordinate a three-year relief programme to rebuild the region's shattered health system and strengthen it against similar disasters in the future.

As the largest international NGO operating in Laputta Township, Merlin is running a comprehensive and integrated programme, covering over 500 villages in the Delta. We have helped to rebuild two new health centres and to rehabilitate 20 damaged clinics; 57 health centres have received drug supplies; over 14,000 children have been screened for nutritional problems; and more than 13,000 villagers have received payments for rehabilitating homes and community buildings and cleaning up their surroundings.

As a result of Merlin's immediate and effective response in the aftermath of Cyclone Nargis, we played a leading role in the international relief effort. Merlin and the WHO co-chair the Health Cluster's \$28 million long-term health plan for the survivors of the Myanmar Cyclone. We also led a comprehensive needs assessment in the region and now have a coordinating role between the government, ASEAN and the UN in monitoring the humanitarian response.



18-year-old Khiang Zinwin receiving treatment from a Merlin health worker. The five-inch gash in her head was caused by debris flying around in the cyclone.

Daw Sanyee's story

When Cyclone Nargis bore down on the small waterfront community of Bo Kone, the force of the storm reduced most of the village's 600 homes to mangled wreckage. The 120-mile-an-hour winds and tidal surge flattened two schools and the village clinic. Once the storm subsided, it had claimed close to a third of the village's 2,400 residents – most of them women and children.

When the storm hit, the rising tidal surge forced Daw Sanyee and her family to climb onto the upper beams of the health centre to escape the rising waters. Then the whole building collapsed.

Daw Sanyee sustained serious cuts and lacerations to her back and was separated from her husband and son. Myint Soe, a community health worker trained by Merlin, managed to stem the bleeding, treated the wounds and found some robes from the monastery to keep her warm.

Daw Sanyee's 10-year-old son, Kaung Khant Zaw, had clung to a tree and managed to survive, but Daw Sanyee would find out later that her husband, Khin Zaw, had died.

Since the cyclone, Daw Sanyee has received comfort and encouragement from Myint Soe and U Tin Thuang, another community health worker. "I don't know what I would have done without their constant support," Daw explains. "They are always there when you need them."

Tragically, 94 community health workers died as a result of the cyclone and many, like U Tin Thuang, lost close family members. To provide the additional support their communities needed to cope with grief and stress, Merlin organised refresher training as well as instruction in psycho-social support.

"Community health workers are a vital component of Merlin's programme to improve the health and well-being of these vulnerable people," explains Dr Ashok, Merlin's senior medical coordinator in Myanmar.

Merlin is now starting a new round of training. It will expand the network of community health workers, who can reach out to help more people like Daw Sanyee. One of the recent training sessions took place in Bo Kone and new recruits will soon be providing health care in surrounding villages.

Both Myint Soe and U Tin Thuang are extremely proud to be able to help the people of their village. Myint explained: "Before Merlin came, it felt like we were all walking in the dark. We didn't know exactly what to do. Now we feel that we have a clear direction."



Daw Sanyee: Community health workers are "always there when you need them."



In Liberia, we improved reproductive health services for over 400,000 women. Through a programme in four counties, we supported three hospitals and 30 primary care clinics, promoting women's sexual and reproductive rights in communities. We also ran outreach programmes in remote communities, as well as training and equipping traditional birth attendants. 430 health workers received reproductive health training from Merlin, including information on sexual violence and family planning.

Future plans

Merlin has recently developed a three-year strategy for 2009-2011 that defines our ambitious plans for scaling up our activities to achieve an even greater impact over the coming years.

A key priority is to adopt a more holistic approach to strengthening health systems. Given the largely under-researched and misunderstood challenges of strengthening health systems in fragile states, we will adapt our current approach to better target priority areas of system weakness and to improve the overall impact of Merlin's work. To achieve this, we will strengthen our dialogue with affected communities, increase our involvement at national levels in the countries where we work to support health strategy and policy, increase our activities in building capacity for human resources for health, and broaden our portfolio of specialist technical assistance.

We will expand the number of countries in which we work, targeting areas with the greatest needs. On the same basis we will expand our activities in countries where we are already working. We will also improve the depth of our health work, strengthening our portfolio of work in specific thematic areas such as nutrition, HIV/AIDS, TB and midwifery, as well as teaming up with specialists in new areas such as mental health. We will increase our high level engagement to help ensure that national health strategies are appropriate and responsive to the practical realities of working in countries emerging from crisis.

We will also strengthen our range of responses to emergencies. In the face of ever increasing volatility in the global context, Merlin is committed to responding in the first phase of emergencies. We will become an increasingly key player in a wider range of international responses, building on our successful experiences of providing specific health expertise to international assessments within the Global Health and Nutrition Clusters.

Finally, we will also scale up our advocacy work to influence the debate on health issues at national and international levels. Our research and policy work will help to clarify the challenges and opportunities for better health in difficult and fragile environments. Our policy and advocacy work will focus on: strengthening international engagement in rebuilding health systems; effective disaster response; and influencing the debate on continuing health system challenges, including health funding and human resources.

Our first public campaign – Hands Up for Health Workers – is already helping to focus international attention on the catastrophic effects of the chronic lack of health workers in fragile states. We will continue to turn the spotlight on issues such as these in 2009 and beyond.

Independent Auditors' Report to the Trustees of Merlin

We have audited the financial statements of Merlin for the year ended 31 December 2008 set out on pages 20 to 31. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's Trustees, as a body, in accordance with section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The Trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report if, in our opinion, the information given in the Trustees' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

Basis of opinion

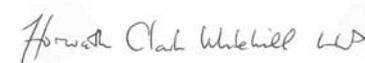
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 December 2008 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993.



Horwath Clark Whitehill LLP St Bride's House
Chartered Accountants & 10 Salisbury Square
Registered Auditors London EC4Y 8EH

Date: 6 July 2009

Statement of Financial Activities

for the year ended 31 December 2008

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2008 £	Total Funds 2007 £
Incoming Resources					
<i>Incoming Resources From Generated Funds</i>					
Direct donations and legacies	2	2,490,660	1,653,635	4,144,295	2,746,136
Government and institutional	2	1,127,041	2,215,666	3,342,707	5,687,470
Other	2	143,481		143,481	17,402
<i>Incoming Resources From Charitable Activities</i>					
Field Operations	3	2,467,731	31,137,665	33,605,396	22,424,709
Other	3		-	-	34,171
<i>Other incoming resources</i>					
Investment Income		132,848	-	132,848	136,921
Other incoming resources	4	2,479,780		2,479,780	
Total Incoming Resources		8,841,541	35,006,966	43,848,507	31,046,809
Resources Expended					
Cost of Generating Funds					
Costs of generating voluntary income	5	1,226,963	419,136	1,646,099	1,242,690
Charitable Activities					
Field operations	5	4,586,816	34,350,228	38,937,044	30,158,356
Other				-	21,700
Governance Costs	5	151,035	0	151,035	325,879
Total Resources Expended		5,964,814	34,769,364	40,734,178	31,748,625
Net Incoming/(Outgoing) Resources before Other Gains and Losses		2,876,727	237,602	3,114,329	(701,816)
Unrealised loss on Investments		(11,100)	0	(11,100)	1,100
Net Movement in Charity Funds for the Year		2,865,627	237,602	3,103,229	(700,716)
Total funds brought forward at 1 January		4,866,828	751,988	5,618,816	6,319,531
Total funds carried forward at 31 December	15	7,732,454	989,590	8,722,044	5,618,815

All of the activities represent continuing activities of the charity.

The statement of financial activities includes all gains and losses recognised in the year.

Balance Sheet

as at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed Assets					
Tangible fixed assets	9		260,868		244,551
Investments	10		28,500		39,600
			289,368		284,151
Current Assets					
Stock		61,803		33,341	
Debtors	11	12,046,398		9,915,635	
Cash at bank and in hand - HQ	11	4,822,074		1,324,594	
Cash at bank and in hand - Field	11	3,237,391		1,818,586	
		20,167,665		13,092,156	
Creditors: Amounts falling due within one year	12	(11,734,990)		(7,757,492)	
Net Current Assets			8,432,676		5,334,664
Net Assets			8,722,044		5,618,815
Funds					
General fund	15		6,059,775		3,261,910
Designated funds	15				
Emergency Response & Assessment Fund			456,879		389,117
Strategic Baseline Reserve			1,215,800		1,215,800
Unrestricted funds	15		7,732,454		4,866,827
Restricted funds	15		989,590		751,988
			8,722,044		5,618,815

Approved on behalf of Merlin Board Limited



Lord Michael Jay
23 June 2009

Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 £	2007 £
Net Cash Outflow from Operating Activities	a	5,138,052	(1,341,109)
Returns on Investments and Servicing of Finance			
Bank interest received		132,848	136,921
Interest paid		-	-
Capital Expenditure			
Payments to acquire tangible fixed assets		(354,615)	(28,672)
Decrease in Cash		<u>4,916,285</u>	<u>(1,232,860)</u>
a) Reconciliation of Excess of Expenditure over Income to Net Cash Inflow from Operating Activities			
		2008 £	2007 £
Net incoming resources		3,114,329	(701,816)
Loss on disposal of fixed assets		37,095	
Depreciation charges		301,203	207,837
Increase in stock		(28,462)	(33,341)
Increase in debtors		(2,130,763)	(1,286,230)
Increase in creditors		3,977,498	609,362
Interest paid		-	-
Interest received		(132,848)	(136,921)
Net cash outflow from operating activities		<u>5,138,052</u>	<u>(1,341,109)</u>
b) Analysis of Net Cash Resources			
	Opening Balance £	Cash Flow £	Closing Balance £
Cash	3,143,180	4,916,285	8,059,465
c) Location of Cash Resources			
		2008 £	2007 £
HQ bank accounts		4,822,074	1,324,594
In-country bank accounts		<u>3,237,391</u>	<u>1,818,586</u>
		<u>8,059,465</u>	<u>3,143,180</u>

Notes to the Accounts

for the year ended 31 December 2008

1 Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, the Charities Act 2003, and applicable accounting standards.

(b) Fund Accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds that are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and that have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been put aside at the discretion of the Trustees for particular purposes. The aim and purpose of each designated fund is shown in the notes to the financial statements.

Restricted funds are funds subject to special conditions imposed by the donor. The aim and purpose of each restricted fund is shown in the notes to the financial statements. Grants include contributions to HQ costs which are shown in the Statement of Financial Activities as unrestricted income and expenditure.

(c) Incoming Resources

Income, including grants, donations, legacies from institutions, corporates, trusts, individuals and investment income is included in the SOFA when Merlin is entitled to the receipt and where the amount can be measured with reasonable certainty.

Grant income from governments, other agencies, corporates and trusts is recognised in line with activity represented by the expenditure incurred according to the conditions of the grant. Entitlement to the grant income only arises as these conditions are met. Expenditure in excess of cash received is included in the balance sheet as a debtor (as accrued income), with cash received in excess of expenditure being included as a creditor (as deferred income).

Investment income and tax reclaims are recorded when they can be measured with sufficient reliability.

Goods, facilities and services donated for the charity's use, where the benefit is quantifiable and the goods or services would have had to be purchased, are recognised in the financial statements, as both income (gifts in kind) and expenditure, at a reasonable estimate of their value in the period in which they are donated.

Gifts in kind received in country for field operations have been recorded in the accounts for the first time in 2008. 2007 gifts in kind were not material so the figures have not been restated. The significant proportion of 2008 gifts in kind were from the Myanmar cyclone response.

Fixed Assets received as gifts in kind are capitalised in accordance with Policy 1e. No amounts are included in the financial statements for services donated by volunteers: in line with the charity SORP, volunteers' donated services are not counted.

(d) Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Costs of Generating Voluntary Income

Costs of generating funds are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Support Costs

Support costs include the HQ office functions such as general management, payroll administration, budgeting and accounting, information technology, human resources, and financing. These are apportioned to the three cost categories of charitable expenditure, governance costs and the costs of generating funds, on the basis of the most appropriate allocation method for each type of cost.

Notes to the Accounts for the year ended 31 December 2008

Governance Costs

Governance costs are the costs associated with the charity's governance arrangements. They relate to the general running of the charity as opposed to those costs directly associated with fundraising or charitable activity. Included within this category are only those costs associated with the strategic as opposed to day-to-day management of the charity's activities.

(e) Tangible Fixed Assets and Depreciation

All assets costing more than £5,000 (including non recoverable VAT) with an expected useful life of more than 12 months are capitalised.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Leasehold improvements	Over the life of the lease
Computer hardware	3 years
Computer software	3 years
Office furniture and equipment	4 years
Motor vehicles	2 to 3 years dependent on the physical conditions in the country in which the vehicle is operated
Communication equipment	2 years

The accounting policy for fixed assets has changed in 2008, with the definition of an asset increasing from £500 to £5,000 and all field assets being treated in the same way. The 2007 accounts haven't been restated as the effect is not material.

(f) Cash and Bank Balances

Cash and bank balances, whether at Head Office or Field, represent actual balances at the balance sheet date.

(g) Stocks

Stocks of drugs and other materials are valued at cost.

(h) Investment Policy

Investments are included at closing market value at the balance sheet date. Any gain or loss on revaluation is taken to the Statement of Financial Activities.

(i) Operating Leases

Rentals paid under operating leases are charged to income as incurred.

(j) Taxation

The charity's income is generally exempt from taxation under the provisions of s505 of the ICTA 1998. The charity is able to recover VAT on material provided to its field programmes and has agreed a partial exemption scheme with HMRC. Irrecoverable VAT is charged to Finance costs and included in the apportionment of these costs across other activities. Tax recovered from voluntary income received under gift aid is recognised when the related income is receivable and is allocated to the income category to which the income relates.

(k) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. All differences are accounted for in the Statement of Financial Activities.

(l) Pension Scheme

The charity has arranged a defined contribution personal pension scheme for the UK based staff members. As this is a personal pension scheme the assets of the scheme are held separately from those of the charity. Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year.

2 Voluntary Income

	General Fund £	Designated Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
<i>Direct donations and legacies</i>					
Individual Giving	1,665,104		215,022	1,880,126	1,474,966
Donor Partnerships	575,956	249,600	1,438,613	2,264,169	1,271,170
	2,241,060	249,600	1,653,635	4,144,295	2,746,136
<i>Government and institutional</i>					
DEC	127,041		2,215,666	2,342,707	5,187,470
UK Dept for International Development	1,000,000			1,000,000	500,000
	1,127,041	-	2,215,666	3,342,707	5,687,470
<i>Other</i>					
Training	64,105			64,105	17,402
Gifts in Kind	79,376			79,376	-
	143,481	-	-	143,481	17,402
	3,511,582	249,600	3,869,301	7,630,483	8,451,008

3 Incoming Resources from Charitable Activities

	Total 2008 £	Total 2007 £
EU - ECHO and TACIS	11,833,106	9,199,688
UK Dept for International Development	11,136,601	6,747,537
US - OFDA & USAID	3,570,919	2,928,720
Irish Aid	1,738,623	966,661
Gifts in Kind	1,645,278	
United Nations	1,468,384	847,035
CHF International	474,773	408,432
Global Fund	405,081	315,978
Other	255,436	23,193
Oxfam	172,519	143,896
BUZA	156,993	233,207
WHO	141,865	
Jpiego	108,978	76,988
Interhealth	101,917	112,755
Stichting Vluchteling	82,603	106,353
Help Age International	73,119	112,084
Futures Group	64,181	55,348
ICDF	51,607	
Raise	49,707	
Americare	45,927	
Danish Embassy	16,236	
Mercy Corps	11,543	
World Vision		181,005
Total	33,605,396	22,458,880

This income funded programmes in the following countries:

	Total 2008 £	Total 2007 £
Democratic Republic of Congo	6,979,966	3,960,419
Liberia	4,956,238	2,781,947
Myanmar	4,018,579	129,759
Afghanistan	3,416,654	1,601,433
North Sudan	3,167,127	2,118,968
Kenya	2,698,098	1,907,101
South Sudan	2,432,664	2,358,016
Cote d'Ivoire	1,042,184	1,858,707
Ethiopia	951,633	805,169
Palestinian Territories	789,461	535,504
Somalia	723,934	200,034
Pakistan	716,727	1,178,470
Central African Republic	665,085	86,123
Nepal	270,037	353,225
Sri Lanka	268,463	94,144
Other	260,061	51,907
Indonesia	172,519	143,896
Bangladesh	34,927	
Georgia	21,949	2,194,429
Zimbabwe	19,090	
Tajikistan		99,629
Total	33,605,396	22,458,880

Notes to the Accounts for the year ended 31 December 2008

4 Other incoming resources

A foreign exchange gain of £2,479,780 was made in 2008 of which £1,790,721 was an unrealised gain (2007: £32,544.03 (loss)).

5 Total Resources Expended

	Note	Staff Costs £	Other Direct Costs £	Support Costs Allocated £	Total 2008 £	Total 2007 £
Cost of Generating Funds						
Costs of Generating Voluntary Income	6	264,595	565,230	816,274	1,646,099	1,242,690
Charitable Activities						
Field Operations	6	10,330,398	27,330,508	1,276,138	38,937,044	30,158,356
Other	6			-	-	21,700
Governance Costs	6	-	23,610	127,425	151,035	325,879
Total Resources Expended		<u>10,594,993</u>	<u>27,919,348</u>	<u>2,219,837</u>	<u>40,734,178</u>	<u>31,748,625</u>

Governance Costs includes:	£
Salaries	82,592
Audit - UK	36,000
Audit - overseas	950
Audit - reversal of prior year accrual	(13,340)
Other	44,833
	<u>151,035</u>

6 Allocation of Support Costs

	Human Resources £	Direction £	Finance £	IT £	Admin- istration £	2008 £	2007 £
Cost of Generating Funds							
Costs of Generating Voluntary Income	128,597	431,821	111,008	69,595	75,253	816,274	267,813
Charitable Activities							
Field Operations	331,414	285,347	286,083	179,356	193,938	1,276,138	837,344
Governance Costs	24,814	53,244	21,419	13,428	14,520	127,425	157,627
Total Resources Expended	<u>484,825</u>	<u>770,412</u>	<u>418,510</u>	<u>262,379</u>	<u>283,711</u>	<u>2,219,837</u>	<u>1,262,784</u>

Finance costs include irrecoverable VAT of £112,632 (2007 £104,261.13).

7 Employees and Staff Costs

			2008 £	2007 £
Staff costs:	Direct Costs £	Support Costs £		
Wages and salaries	10,389,957	1,068,807	11,458,764	12,656,885
Social security costs	170,175	93,789	263,964	172,759
Pension costs	34,861	30,802	65,664	35,756
	<u>10,594,993</u>	<u>1,193,399</u>	<u>11,788,392</u>	<u>12,865,400</u>

The average number of employees, analysed by function, was:

	2008 No.	2007 No.
Cost of Generating Funds	20	13
Charitable Activities	2,708	2,352
Governance Costs	4	1
	<u>2,732</u>	<u>2,366</u>

8 Trustee's Remuneration

No directors of the Trust received remuneration or reimbursement for expenditure in the year (2007 - none).

The number of staff with emoluments exceeding £60,000 were as follows	2008 No.	2008 Pension £	2007 No.	2007 Pension £
£90,000 - £100,000	1	6,426		
£80,000 - £89,999			1	4,306
	<u>1</u>	<u>6,426</u>	<u>1</u>	<u>4,306</u>

Notes to the Accounts for the year ended 31 December 2008

9 Tangible Fixed Assets

	Leasehold Improvements £	Computer Hardware £	Computer Software £	Field Motor Vehicle £	Office Furniture and Equipment £	Total £
Cost						
At 1 January 2008	140,453	98,906	197,941	245,560	22,059	704,919
Additions				344,630	9985	354,615
Disposals		(84,058)	(9,020)		(5,259)	(98,337)
At 31 December 2008	140,453	14,848	188,921	590,190	26,785	961,197
Depreciation						
At 1 January 2008	86,927	61,599	103,686	196,167	11,989	460,368
Charge for year	53,526	4,950	52,077	178,462	12,188	301,203
Disposals		(51,701)	(5,952)		(3,589)	(61,242)
At 31 December 2008	140,453	14,848	149,811	374,629	20,588	700,329
Net Book Value						
At 31 December 2008	-	-	39,110	215,561	6,197	260,868
At 31 December 2007	53,526	37,307	94,255	49,393	10,070	244,551
Asset split by location						
Restricted				187,357	1,997	189,354
Unrestricted	-	-	39,110	28,204	4,200	71,514
Net Book Value	-	-	39,110	215,561	6,197	260,868

10 Investments

	2008 £	2007 £
Market value at 1st January	39,600	38,500
Unrealised investment gains	(11,100)	1,100
Market value at 31st December	28,500	39,600

All investment assets are held in the UK. These investments were donated in 2001, at which time the market value was £8,500.

11 Current Assets Debtors

	2008 £	2007 £
Amounts due from donors	6,052,138	4,724,689
Accrued income	5,408,011	4,799,298
Other debtors	23,713	81,893
Other taxes and social security costs	25,587	
Pre-payments	536,950	309,755
	12,046,398	9,915,635

Cash at bank and in hand

Cash payments were received at the end of the year financing activities in 2009. This is reflected in a corresponding increase in deferred income.

12 Creditors: Amounts falling due within one year

	2008 £	2007 £
Specific programme creditors	605,300	617,247
Deferred income	8,101,757	5,431,426
Other taxes and social security costs	76,954	75,876
Other creditors	1,410,193	663,321
Accruals	1,540,786	969,622
	11,734,990	7,757,492

Movement on deferred income during the year:

	£
Balance brought forward	5,431,426
Released to income	(5,304,319)
Received in year	7,974,650
Balance carried forward	8,101,757

13 Operating Lease Obligations

	Other		Land and Buildings	
	2008 £	2007 £	2008 £	2007 £
On leases expiring:				
Less than one year				40,500
More than one year and less than two years	1,170	4,865	182,136	
Between two and five years	2,262	8,655		
	3,432	13,520	182,136	40,500

14 Restricted and Designated Funds

a. Restricted Fund

This fund aggregates the incoming resources and resources expended for each country.

b. Designated Emergency Response & Assessment Fund

This Fund was established to provide for improved response by Merlin to emergencies. This fund enables Merlin to start its emergency response before funds have been sourced, with replenishment from subsequent income generation.

c. Designated Strategic Baseline Reserve

This Fund was established during 2005 to enable Merlin to react to fundamental changes in its long-term financing position.

Notes to the Accounts for the year ended 31 December 2008

15 Funds Statement

	Total Funds £	General Fund £	Total Designated Funds £	Strategic Baseline Reserve £	Emergency Response & Assessment Fund £	Restricted Funds £
Balance brought forward 1st January 2008	5,618,815	3,261,910	1,604,917	1,215,800	389,117	751,988
Incoming Resources						
Incoming Resources From Generated Funds						
Voluntary Income	7,630,483	3,511,582	249,600		249,600	3,869,301
Activities for Generating Funds	-					0
Investment Income	132,848	132,848				-
Incoming Resources From Charitable Activities						
Field Operations	33,605,396	2,467,731				31,137,665
Other incoming resources						
Foreign Exchange Gains	2,479,780	2,479,780				
Total Incoming Resources	43,848,507	8,591,941	249,600	-	249,600	35,006,966
Resources Expended						
Costs of Generating Funds	1,646,099	1,216,420	10,543		10,543	419,136
Charitable Activities	38,937,044	4,415,521	171,295		171,295	34,350,228
Governance Costs	151,035	151,035				-
(Deficit)/surplus before Transfers	3,114,329	2,808,965	67,762	-	67,762	237,602
Transfers						
Unrealised loss on investment	(11,100)	(11,100)	-			
Unrealised foreign exchange gains						
Balance Carried Forward	8,722,044	6,059,775	1,672,679	1,215,800	456,879	989,590
Represented by:						
Fixed assets	260,867	71,514	-			189,354
Net current assets	8,461,177	5,988,261	1,672,679	1,215,800	456,879	800,237
Total	8,722,044	6,059,775	1,672,679	1,215,800	456,879	989,590

	Opening balance 01/01/08 £	Incoming Resources £	Resources Expended £	Closing balance 31/12/08 £
Restricted Funds				
Afghanistan	13,804	3,239,748	(3,230,305)	23,247
Bangladesh	2,468	173,655	(173,218)	2,905
Central African Republic	13,284	752,390	(756,795)	8,879
Cote d'Ivoire	-	975,712	(975,712)	-
Democratic Republic of Congo	65,902	6,555,728	(6,548,163)	73,467
Ethiopia	-	890,325	(890,270)	55
Georgia	6,313	20,513	(20,513)	6,313
Indonesia	-	247,535	(247,535)	-
Kenya	55,390	2,704,693	(2,726,975)	33,108
Liberia	187,206	4,757,017	(4,875,116)	69,107
Myanmar	443	5,002,753	(4,583,122)	420,074
Nepal	32,954	283,307	(287,297)	28,964
North Sudan	34,016	2,980,045	(2,979,058)	35,003
Palestinian Territories	13,603	737,879	(737,812)	13,670
Pakistan	140,117	862,571	(893,279)	109,409
Somalia	7	842,359	(841,968)	398
South Sudan	97,072	2,308,897	(2,388,187)	17,782
Sri Lanka	6,931	1,354,838	(1,338,784)	22,985
Other	82,478	317,001	(275,255)	124,224
Total Restricted Funds	751,988	35,006,966	(34,769,364)	989,590
Designated Tsunami Funds	(0)	-	-	(0)
Emergency Response & Assessment Fund	389,117	249,600	(181,838)	456,879
Strategic Baseline Reserve	1,215,800	-	-	1,215,800
General Fund	3,261,910	8,580,839	(5,782,976)	6,059,775
Total Unrestricted Funds	4,866,827	8,830,439	(5,964,811)	7,732,455
Total Funds	5,618,815	43,837,405	(40,734,176)	8,722,045

Trustee and Advisors

Trustee

Merlin Board Limited
95 Aldwych
London EC2B 4JF

Head Office and Registered Address

12th Floor
207 Old Street
London EC1V 9NR

Auditors

Horwath Clark Whitehill
Chartered Accountants
St Bride's House
10 Salisbury Square
London EC4 8EH

Bankers

The Cooperative Bank plc
80 Cornhill
London EC3V 3NJ
Barclays Commercial Bank
Level 28
1 Churchill Place
London E14 5HP

"Trustees" (Directors of Merlin Board Limited) who served during the year were as follows:

Lord Jay of Ewelme (Chair)	
Charles Stewart-Smith (resigned 28/11/2008)	a
John Sanderson (resigned 28/02/2008)	
William Adams (resigned 30/11/2008)	b
Dr Christopher Whitty (resigned 23/06/2009)	b
Susan Woodman	a
James Darcy	b
Julian Thorne (resigned 04/06/2008)	
Richard Fenning	a,b
Susan Ryan	
Steve Mirfin	a
Alexis Chapman (appointed 09/06/2008)	a
Dr David Heymann (appointed 23/06/2009)	
Lloyd Shepherd (appointed 23/06/2009)	
Anne Austen (appointed 23/06/2009)	

Sub-Committee membership is indicated as follows:

Finance, Risk and Audit Sub-Committee	a
Peoples and Programmes Sub-Committee	b

The Executive officers were as follows:

Chief Executive	Carolyn Miller
Director of Programmes	Pete Sweetnam
Director of Health and Policy	Linda Doull
Director of Human Resources and Development	Bryony Glenn
Director of Fundraising and Communications	Imogen Ward
Director of Finance	Vicky Annis
Director of Business Development and Planning	Bernard Trude (deceased Jan 09)